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28 March 1946

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GENERAL

1. UK views on Soviet moves regarding Iran--Embassy London has received the following comments and information from British Foreign Office officials:

Recent Soviet announcements of troop withdrawals from Bornholm, Iran and Manchuria and Stalin's statement on the importance of the UNO in preserving peace are considered as indications that (a) blunt statements by the UK and US had "registered" in Moscow and (b) the USSR was admitting the failure of tactics followed during the past months. These announcements, however, are probably nothing more than a momentary change of tactics and lack long-range implications.

According to the British Embassy in Moscow, Stalin's reply to Churchill had "deeply stirred" the Soviet public and the people in Moscow, apparently interpreting Stalin's words to mean that war was imminent, had tried to lay in as much food as possible. This strong popular reaction and a desire to create a favorable atmosphere for maneuvers at the Security Council may have prompted Stalin to make his statement regarding the UNO.

By 28 March no new instructions had been given to Cadogan in connection with the withdrawal of the Soviet delegation from the Security Council meeting. The Foreign Office (a) believes that the Soviet delegates will not return to the Council before 10 April, (b) hopes that the Council will make no decisions in their absence, and (c) does not believe that the USSR intends or wishes to withdraw from UNO.

Ambassador Murray in Tehran comments that the apparent total lack of strong British policy in the present crisis has given the Iranians the impression that Britain has given up and is no longer interested in their country. British loss of prestige in Iran has been great. As an example, he cites an attempt by the incarcerated, traditionally pro-British and rightist deputy, Seyid Zia ed-Din, through an emissary to seek guidance from Murray himself as to what course he (Seyid) and rightist circles should now follow.

2. Italy's Treaty Navy--Dunn reports that the composition of the Italian Treaty Navy and the Soviet demand for one-third of the Italian fleet will be discussed shortly in the Council of Foreign Ministers. He considers that scrapping Italian naval units in excess of those Italy

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will be permitted to retain under the treaty, however desirable from the US view, will be bitterly opposed by the Soviets. Since "distribution" of surplus fleet units will also be supported by the UK, France, Yugoslavia and Greece, Dunn asks whether the US should not approve the idea and thus offer the Soviets "a distinct inducement to get on with the treaty." Dunn, however, proposes to insist that all Italian submarines be scrapped.

According to Dunn, the Soviets consider that the return of ships, which were previously transferred to the USSR on loan in lieu of allocations from the Italian fleet, is related to the future distribution of the Italian fleet. The terms of the loan, he feels, provide the Soviets with "some case in the disposition of the Italian fleet," despite the phrase: "for use during hostilities."

3. Administration of Trieste--The State Department has given Dunn its views on the proposed international regime for Trieste: (a) Trieste and its environs should be "politically Italian;" (b) facilities of the free port should be administered by Italy, in accordance with an international agreement and subject to review by a commission representing Italy, Yugoslavia, Czechoslovakia, Austria and Hungary; and (c) issues that the commission fails to adjust should be referred to the UNO.

A Soviet representative in the Council of Foreign Ministers has indicated that the USSR would favor a larger degree of international control over Trieste if it remains Italian, than if it is ceded to Yugoslavia.

4. Soviet interest in Micronesia--The Naval Attache in Moscow reports that active Soviet interest in the final disposition of the Micronesian Islands is foreshadowed by a recent article in the "Soviet Journal of World Economics and World Politics." The article emphasized (a) the strategic importance of Micronesia in the maintenance of a stable peace, and (b) the danger these islands had presented when in the hands of aggressive powers such as Germany and Japan. The Naval Attache comments that this is the first public statement he has seen which indicates "the plan of propaganda against the US as an aggressive imperialist power."

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EUROPE-AFRICA

5. AUSTRIA: Removal of Soviet "repatriation" mission--On 13 March General Clark asked that he be authorized to require the Soviet "repatriation" mission to withdraw from the US zone by 1 April, since (a) it had had ample time to complete its repatriation work, and (b) intelligence and espionage in the US zone represented "no small part" of its activities (see Daily Summary of 14 March, item 2). On the recommendation of the State Department, the Joint Chiefs of Staff have now granted Clark the requested authority.
6. AUSTRIA: UNRRA program--General Clark reports that Brigadier Parminter, Chief of UNRRA, Austria, agrees with him that UNRRA will have to postpone from 1 April until 1 June the assumption of responsibility for the distribution of food in Austria. Parminter, however, is proposing that UNRRA (a) distribute its imports in "deficiency" areas during April and May, and (b) assume financial responsibility from 1 April for military imports used to feed each zone, as well as for imports brought in by UNRRA.
- Clark is opposed to both proposals: the first, on the ground that UNRRA aid would be going into the Soviet zone -- a "deficiency" area -- before the settlement of questions relating to the reduction of Soviet occupation forces and the use of local land for feeding Soviet troops; the second, on the ground that UNRRA's limited funds might better be reserved for future imports, since a poor harvest is to be expected.
7. CZECHOSLOVAKIA: Postponement of treaty with Yugoslavia--Foreign Minister Masaryk has told Ambassador Steinhardt that he and President Benes had succeeded in postponing the signing of a treaty with Yugoslavia. Masaryk predicted, however, that within "two or three months" Czechoslovakia would sign an agreement with Yugoslavia similar to the Polish-Yugoslav pact, but that it would not constitute a tripartite agreement.
8. SWITZERLAND: USSR and France negotiate for Oerlikon products--
- [redacted] both the USSR and France have begun negotiations with the Oerlikon Company (on the Allied Proscribed List). The USSR apparently wants 3,000 cannon and all undelivered gun equipment ordered by

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Germany, under a contract in which Rumania and Bulgaria are to appear as purchasers. France is reported to be interested in buying a substantial quantity of machine tools.

FAR EAST

9. CHINA: Sino-Soviet economic negotiations to be resumed--The Chinese Foreign Minister has advised Embassy Chungking that Sino-Soviet economic negotiations, which were broken off in early February, are to be resumed but that no agreement will be concluded until Soviet forces have completely evacuated Manchuria. The Chinese Government does not intend to conclude any economic agreement with the USSR that will preclude it from making similar agreements with other countries.
10. N.E.I.: Negotiations to shift to The Hague--Embassy The Hague reports that progress in the current Dutch-Indonesian negotiations has been such that the principal negotiators are scheduled to proceed to The Hague within a fortnight. Sjahrir, however, will not accompany the group because his presence in Java is considered essential in stabilizing the internal political situation.

THE AMERICAS

11. BRAZIL: Sale of arms to Dominican Republic probable--On 26 March, the Secretary General of the Brazilian Foreign Office again stressed to the US Charge the "unimportance" of the proposed sale of arms by Brazil to the Dominican Republic, and indicated that his Government feels obligated to go through with the transaction (see Daily Summary of 22 March, item 5).

A day later, the State Department instructed the Charge to emphasize to the Brazilian Government that the US considers the proposed sale to be "fraught with grave possibilities." He is to point out that arms to be supplied (equivalent to two rifles for each soldier and three cartridges for each citizen of the Republic) are not required for hemisphere defense and could only be used against either Haiti or the Dominican people.

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12. ARGENTINA: US economic policy being revised--The State Department is discussing plans to revise, with as little attendant publicity as possible, its economic policy towards Argentina. The contemplated changes in policy include the following: (a) special controls or restrictions on transactions with Argentina (except where these may be used for bargaining purposes) are to be immediately removed; (b) Argentina is to be dropped from the Group "E" list at the earliest possible date; (c) there will be a gradual abandonment of the present embargo on delivery of aircraft to Argentina, but stringent controls will be retained on all military planes; (d) in order to increase Argentina's contributions of cereals and fats, US surplus equipment and other supplies are to be made available to it on an equitable basis with other American Republics.

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